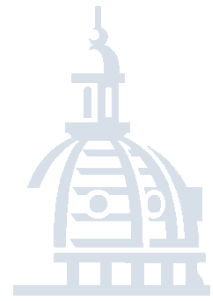


Fiscal Note

Fiscal Services Division



HF 2398 – Sanitary and Storm Water Service Regulation (LSB5522HV)
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Fiscal Note Version – New

Description

House File 2398 modifies the definition of a public utility to include sanitary sewage or storm water drainage disposal by piped distribution system, and authorizes the Iowa Utilities Board to regulate it as such. The bill excludes sanitary districts incorporated and organized pursuant to Iowa Code chapter **358**, as well levee and drainage districts incorporated and organized pursuant to Iowa Code chapter **468**, from the updated definition of a public utility.

Background

Under current law, a public utility is defined as any person, partnership, business association, or domestic or foreign corporation owning or operating facilities for the furnishing of specified services to the public for compensation. Services include furnishing gas by piped distribution systems, electricity and communication services, and piped water distribution systems.

Assumptions

- The Iowa Utilities Board (IUB) is funded from the Commerce Revolving Fund (CRF) through the collection of billed fees for regulated services. When additional expenses occur, regulatory fees are increased to cover the cost. The IUB receives an annual spending authority limitation as appropriated by the Administration and Regulation Appropriations Subcommittee.
- In addition to setting utility rates for sanitary sewage or storm water collection and treatment, the IUB will also have to develop customer service rules through the administrative rules process.
- The number of regulated entities that will be added is unknown. If regulation of just one additional public utility entity is added, no additional full-time equivalent (FTE) positions or training costs will be requested by the IUB. If regulation of three additional entities is added, the IUB will hire an additional 3.0 FTE positions, including two utility inspectors and one analyst.

Fiscal Impact

There is no fiscal impact to the State General Fund. Additional costs will be recovered from the regulated entities via increased fees.

Additional costs resulting from the regulation of sanitary sewage or storm water as a public entity will cause the IUB to request an increase to their spending authority limitation from the CRF. As it is unclear at this time how many entities will need to be regulated, the IUB has provided a cost range to estimate the fiscal impact on the CRF.

For the rate regulation of one sanitary sewer and storm collection and treatment entity, the IUB estimates a need for a total spending authority limitation increase of \$102,500 from the CRF annually. This estimate includes staff costs of \$40,000, consultant costs of \$40,000, and rulemaking/court reporting costs of \$22,500. For the regulation of three additional entities, the IUB estimates a need for a total spending authority limitation increase of \$562,000 from the CRF annually. This estimate includes \$100,000 in staff costs, \$75,000 in consultant costs, and \$260,000 in salary and benefit costs for an additional 3.0 FTE positions.

A complete breakdown of these costs, along with an average of both scenarios, is provided below.

<u>Sanitary and Storm Water Service Regulation Cost Estimate Range</u>			
	<u>One Add'l. Entity</u>	<u>Three Add'l. Entities</u>	<u>Average</u>
Rate Case - Staff Costs	\$ 40,000	\$ 100,000	\$ 70,000
Consultant Costs	40,000	75,000	57,500
Court Reporting	7,500	15,000	11,250
Rulemaking	15,000	50,000	32,500
Inspector Salary & Benefits		170,000	85,000
Vehicle		50,000	25,000
Computer		1,700	850
Phone		1,200	600
Windows License		454	227
DAS & OCIO Costs		1,704	852
Training		3,000	1,500
New Analyst		90,000	45,000
Computer		850	425
Phone		420	210
Windows License		227	114
DAS & OCIO Costs		852	426
Training		1,500	750
Totals	<u>\$ 102,500</u>	<u>\$ 561,907</u>	<u>\$ 332,204</u>

Sources

Iowa Utilities Board (IUB)
Legislative Service Agency (LSA)
Department of Natural Resources

/s/ Holly M. Lyons

February 24, 2016

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the LSA upon request.